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ENERGY
OIL, GAS AND BEYOND
Oil, Gas and Beyond

I was waiting for the ship to come in. In fact, so was everyone else in Nicaragua. Gas lines stretched around the block. The supermarket shelves were nearly bare. Lights went out again and again, plunging the country into frequent darkness. Telemax machines couldn’t work, and we reporters had to depend on the few places with generators to file our stories (for younger readers, this was pre-computer and smart phones). U.S. President Ronald Reagan had imposed a trade blockade on Nicaragua in May 1985. The Soviets were sending oil, dodging the blockade.

We reporters did what we always do: we reported on the ship’s arrival. But we also breathed a collective sigh of relief. The arrival of the Soviet ship meant hot showers and light to read by.

Energy is intensely political. It shapes nations and trade and fuels wars and blockades. Energy, I discovered then, is also intensely personal. It shapes our lives on a daily basis. It’s not only a matter of how we get around or whether we have enough food to eat; energy production affects the communities that receive it and those that produce it. It shapes attitudes toward gender and race and nationalism and identity. It pollutes the air and the rivers. It offers immense economic opportunities. Or it does both.

You might not think of Latin America and the Caribbean right away as a big energy producer or consumer. But Venezuela stands ninth in global oil production with gas reserves almost triple those of Canada. Three countries—Venezuela, Brazil, and Mexico—account for about 90 percent of the region’s oil production. And Latin America and the Caribbean also have the capability to provide abundant alternative and renewable energy sources: wind, solar, geothermal and biomass, among others.

Perhaps because of my experience in Nicaragua, I started to conceive this issue in terms of meta-politics. And there is certainly a lot of politics related to energy in the region: the political upheaval of Brazil as a result of corruption scandals in the national oil company; the turmoil in oil-rich Venezuela; the impact of the semi-privatization of Mexico’s oil industry; the targeting of Colombia’s energy installations by guerrilla forces in a show of strength in the context of the ongoing peace process.

But then I thought back on how the arrival of oil had been experienced on a very local and personal level. I began to hear stories about the production of energy: what it felt like to grow up in an oil camp, how energy production affects indigenous women in one particular region, the site focuses on five areas: local economy, contracts and royalties, environment, security and geopolitics. And there is certainly a lot of politics related to energy in the region: the political upheaval of Brazil as a result of corruption scandals in the national oil company; the turmoil in oil-rich Venezuela; the impact of the semi-privatization of Mexico’s oil industry; the targeting of Colombia’s energy installations by guerrilla forces in a show of strength in the context of the ongoing peace process.

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Oil and Indigenous Communities

Sowing Discord in the Peruvian Amazon

BY BARBARA FRASER

region, where there are virtually no roads, a river is the lifeblood of the communities along its banks. People drink its water and bathe and wash clothes and pots in it. The river is the only route for traveling to nearly fishing grounds, neighboring communities or distant cities. And it is the dwelling place of spirits, including those of relatives who drowned and whose bodies were never recovered. To pollute the river—created when sap flowed from the mythical tajumulco tree to relieve a woman’s thirst—is also to contaminate their spirit world.

In Cuninico and other Kukama communities, fish are a source of both protein and income. Before the oil spill, the network of lakes and channels up the Cuninico River from the village was a rich fishing ground for people from about half a dozen communities. As word spread about the spill, however, the market dried up. Not only did buyers shun fish from Cuninico, but vendors who brought fish to sell in the community charged two or three times the usual market price.

With food and cash scarce, villagers jumped at the chance to work as day laborers for PetroPerú, first searching for the place where the pipe had ruptured, then laboring on cleanup crews. The wage of about $25 a day was three or four times the usual day labor rate. Women cooked or washed clothing for the market dried up. Not only did buyers shun fish from Cuninico, but vendors who brought fish to sell in the community charged two or three times the usual market price.

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Dead fish and oily twigs gathered by villagers in Cuninico after an oil spill in June 2014.

stored, and where the boat had stirred up the oil slick—before it flooded, and said work would resume when the river levels went down again.

LONG HISTORY OF CONFLICT

The Cuninico villagers’ experience with the oil spill resembles similar events in other parts of the Amazon. The high–est-profile case is that of Ecuador, with its prolonged and contentious legal battle over pollution from decades of poorly regulated oil operations in its northern Amazon region. A similar situation in Peru, although less widely publicized, has caused rifts within communities and indigenous organizations between those who want jobs and those worried about pollution, and over how to handle thorny issues such as remediation and compensation for damages.

Occidental Petroleum and PetroPerú began operating in the northern Peruvian Amazon near the border with Ecuador in the 1970s, in two leases—known as Block 8 and Block 1AB—now operated by Argentina-based Pluspetrol. During most of that time, the hot, salty, metal-laden water pumped out of the wells along with the oil was dumped into the Corrientes, Pastaza, Tigre and Marañón rivers or streams that flow into those rivers. Lakes and soil were also polluted by oil spills, as was part of the Pacaya Samiria Reserve, a wetland supposedly protected under the Ramsar Treaty, where part of Block 8 is located.

Discontent over pollution in the region—known collectively as the cuatro cuencos or “four watersheds”—has been building steadily over the past two decades. Five Achuar communities on the Corrientes River inside Block 1AB reached a settlement with Occidental in September 2013, after nearly a decade of litigation in U.S. courts. The settlement, announced in Lima on March 5, 2015, a year and a half after it was reached, prohibits the parties from revealing details of the agreement, but Achuar leaders said it includes a development fund of an undisclosed amount, to be managed by the five communities and used for projects such as fish farms, health care and education.

In 2006, after health exams found cadmium and lead in the blood of indigenous villagers, demonstrators occupied various Pluspetrol facilities, including the airstrip across from the town of Trompeteros, on the Corrientes River. Those protests ended with a pact known as the Acta de Dorissa. Pluspetrol committed to remediation of contaminated areas and to pumping produced wastewa- ter back underground, into either abandoned wells or new wells drilled for reinjection. It also agreed to provide funding for a government-run health program for the indigenous communities.

The reinjection program was completed, and the company claims on its website that it has remediated “almost all” of the affected areas. However, a 2014 report by the government’s environmental oversight office (Organismo de Evaluación y Fiscalización Ambiental, OEEFA) identified more than 30 sites requiring cleanup. In January 2015, that office upheld fines of nearly US$10 million related to infractions in the Pacaya Samiria Reserve, which the company had appealed.

A YEAR OF NEGOTIATIONS

The lease on Block 1AB, now renumbered 192, expired in August 2015, but when the auction was held by the Peruvian government, there were no bidders. The government could simply extend Pluspetrol’s contract. Until recently, the indigenous federations in the cuatro cuencos had insisted that all damage be remediated and that a consultation should take place before a new round of bidding opened on the lease. Under Peru’s prior consultation law, which took effect in 2011, indigenous communities must be consulted about any development project or administrative decision affecting their communal rights.

They changed their position, however, after nearly a year of negotiations with government officials on issues ranging from territorial rights to health and compensation for damages. Under an agreement announced in March, the government decided to go ahead with preparations for the auction in parallel with a consultation, which is now under way in the watersheds. Both territorial rights and prior consultation are potential flashpoints, not just there but in other parts of the Peruvian Amazon where oil and gas concessions overlap indigenous communities.

When the damage from the past 40 years will be cleaned up, however, remains an open question. Meanwhile in Cuninico, when children break out in rashes, mothers worry that it is because they are bathing in polluted water. And they worry about the future. A year after an oil slick and a mass of dead fish sig- naled a break in the pipeline, they still have no buyers for their fish.

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U$830 million, not including a remediation fund and development projects for communities in the four watersheds. At a press conference in April, Environment Minister Manuel Pulgar-Vidal told foreign journalists that under its con- tract, PlusPetrol is responsible for remediating all damage in the two blocks, and that the government remediation fund would be used for “contingencies” or emergencies.

At the time the agreement was signed, conflicts were continuing in parts of Block 192/1AB, where some communi- ties, afraid that Pluspetrol might pull out of a project without compensating them for damages, were negotiating individual deals with the company. Some indig- enous leaders said the tactics were frag- menting the organizations—a common complaint in Amazonian regions where extractive industries operate—and called for close monitoring of imple- mentation of the March agreement.

One of the Peruvian Amazon is now parcelled into oil and gas concessions, and the government had planned to auc- tion at least a dozen of them this year, but with low international oil prices making exploration less attractive to companies, those plans are likely to be put on hold. In May, Hunt Oil informed the Native Federation of the Madre de Dios River and Tributaries (Federa- ción Nativa del Río Madre de Días y Afuenu- tes, FENAMAD) that it was suspend- ing exploration in part of a block that overlaps the Amara’kari Community Reserve, one of the four watersheds. The company said it had not found the gas it had expected and that it would reevaluate its data before deciding on its next steps. In August, the government extended Hunt’s exploration permit by three years.

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Barbara Fraser is a freelance journalist based in Lima, Peru.